INDAL
1981 ANNUAL REPORT

Cover photograph: Sheets of glass being tempered pass through the high-speed furnace at Tempglass Limited's plant in Toronto, Ontario. Other glass tempering operations are located in California, Ohio, Georgia, and Texas.

Inside cover: Indal's corporate office at 4000 Weston Road, Weston, Ontario.

This is Indal

Indal Limited is a diversified industrial company with 24 operating subsidiaries and divisions in Canada and 19 subsidiaries and divisions in the United States. Founded in 1964 as a small extruder of aluminum and producer of cold rollformed metal products, it employs more than 6,000 people at 75 plants, warehouses and sales offices in North America.

Indal subsidiaries and divisions recycle and extrude aluminum, cold rollform and stamp aluminum and steel, diecast zinc, temper glass and fabricate a broad range of metal, wood and glass products. The output of Indal's plants is sold principally to the following markets: residential construction, non-residential construction, home improvement and consumer, and industrial, which includes automotive and design engineering. The Company also has a metal trading subsidiary specializing in the trading of aluminum. Definitions of Indal's business terms can be found in the glossary on page 44 of the Annual Report.

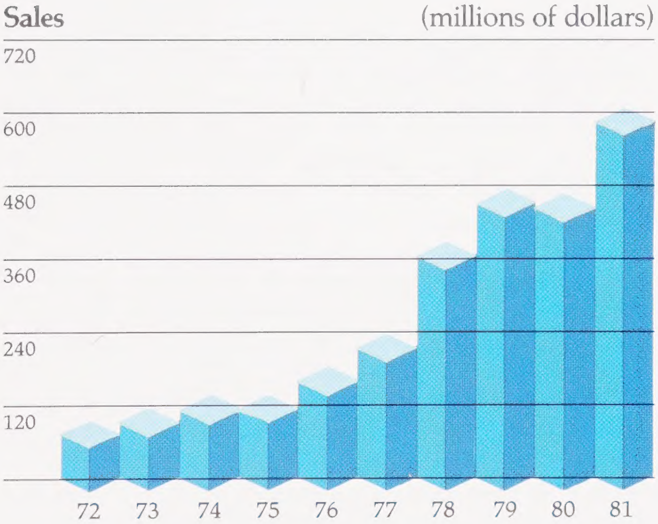
Fifty-nine percent of the common shares of Indal Limited is beneficially owned by R.T.Z. Industries Limited, London, England, a wholly-owned subsidiary of The Rio Tinto-Zinc Corporation PLC, a world-wide mining and industrial company. The balance is owned by individual and institutional investors, principally in Canada.

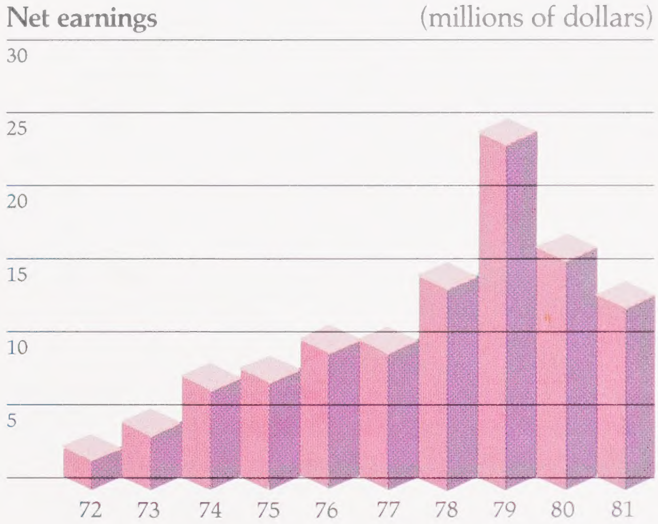
Contents

Financial highlights

for the year ended December 31, 1981

(in thousands of dollars)		1981	1980	change
Operations	Sales	**$583,549**	$442,577	+32%
	Gross profit	**144,924**	109,632	+32%
	Gross profit percentage	**24.8%**	24.8%	—
	Net earnings	**12,541**	15,828	−21%
	Preferred dividends paid	**2,536**	2,194	+16%
	Common dividends paid	**7,708**	7,687	—
	Return on common shareholders' equity	**7.9%**	11.1%	−29%
	Funds from operations	**44,148**	41,147	+ 7%
Common share data	Average number of shares outstanding (in thousands)	**9,632**	9,608	—
	Book value per common share	**$13.32**	$13.10	+ 2%
	Earnings per common share	**$1.04**	$1.42	−27%
	Dividends per common share	**80¢**	80¢	—
Financial position	Total assets	**361,664**	303,823	+19%
	Net borrowings	**132,633**	83,099	+60%
	Shareholders' equity	**153,443**	150,934	+ 2%





Report to the shareholders

Review of 1981

For the second successive year, significant fluctuations in interest rates culminating in recessionary conditions later in the year in both Canada and the United States, had an adverse impact on earnings. Net earnings were $12.5 million ($1.04 per share), after providing for losses from a discontinued operation and from metal trading (aggregating $0.62 per share) compared with restated 1980 earnings of $15.8 million ($1.42 per share). Sales, including $66 million from the ongoing U.S. aluminum extrusion businesses acquired early in 1981, reached a record level of $584 million compared with $443 million in 1980. Operating profits before general corporate and interest expenses also reached a record level of $53.4 million compared with $39.6 million in 1980. This increase however was not great enough to fully offset an increase in interest expenses of more than $10.0 million and the losses from the discontinued operation and from metal trading mentioned above.

The brief period of recovery and encouraging results experienced in the first half of the year ended swiftly as interest rates climbed by mid-summer to unprecedented levels of 22¾% in Canada and 20½% in the United States. This caused demand in several of your Company's principal markets to decline substantially from July in the United States and from September in Canada, traditionally the Group's most active trading period. The 1980 Report stated "the strength of the 1981 results depends very much on the timing and extent of the anticipated drop in interest rates." The drop was in fact short-lived and as interest rates climbed again, U.S. markets for housing and home improvement products in particular deteriorated because potential borrowers were unable to qualify for mortgage funds and loans. U.S. housing starts at 1.09 million were at their lowest level in 35 years and 16% below the already depressed level of 1980. Activity in the Canadian housing market however increased by 12% over the 1980 level to 178,000 starts. Operations serving the Canadian market achieved satisfactory earnings.

Trading in free market aluminum remained severely depressed with market prices at unprecedented discounts from producers' list prices throughout the year and the metal trading operation incurred substantial losses. Lack of demand from the principal U.S. consuming industries, residential construction and automotive, was a major contributing factor. Changes in metal trading policy were implemented during the year further reducing exposure to changes in price levels. A recurrence of losses of the 1981 proportions is not anticipated.

The automotive industry in North America remained sluggish throughout the year despite the introduction of several manufacturers' rebate and interest incentive schemes. North American production of 9.3 million units in 1981 was slightly lower than the already depressed level of the previous year and the lowest since 1962. Nevertheless, Group operations serving this market performed satisfactorily in difficult market conditions.

As in 1980, your Company's main area of strength was the non-residential construction market which now accounts for 25% of sales. Spending on large-scale commercial projects was largely unaffected by the economic downturn. Demand for office and commercial space in major North American cities remained strong as low vacancy rates persisted and Group operations producing tempered glass, extruded aluminum and fabricated aluminum products for this market benefited accordingly. Some slowdown was apparent late in the year in the smaller commercial building market.

During most of 1981 your Company operated considerably below its productive capacity in the face of weak markets. An encouraging aspect, however, was the maintenance of gross margins, despite these conditions, at the same levels as in 1980.

During 1981, increased borrowing to finance the purchase of the new extrusion operations in the United States and higher interest rates caused financial expenses to more than double, a significant factor in the lower 1981 earnings.

The Murphysboro, Illinois extrusion facility, one of the four operations acquired as a group earlier in the year, was closed on December 31, 1981 as a consequence of the continuation of pre-acquisition losses, mainly reflecting unprofitable product lines and a declining market. The operation has since been sold. The other three plants purchased, in Reed City, Michigan, Gulfport, Mississippi and City of Industry, California, operated profitably.

Excluding the above mentioned acquisition, expenditure on fixed assets in 1981 totalled $22.5 million. Major internal capital expenditures included the start of the expansion of design engineering facilities in Toronto to cope with additional defence contracts, the expansion of aluminum fabrication operations in Vancouver, an additional custom tempering furnace in Fremont, California and expansion of the wood processing and wood window manufacturing plant in Gainesville, Georgia.

Outlook for 1982

United States economic and fiscal policy dominate any view of your Company's prospects for 1982. Canada and the United States are currently in a recession and your Company's earnings are very sensitive to the impact interest rates have on demand for major consumer items such as housing and automobiles. In light of current high interest rates, economic conditions are far from ideal and we anticipate a very difficult first half year. However, assuming a slight decline in interest rates over the next few months and a resultant modest improvement in Group markets, we anticipate an improvement in earnings in the second half of the year.

Key economic indicators for your Company are housing starts. These are forecast to be around the 1.3 million level in the United States and approximately 160,000 in Canada, although both of these forecasts could be high if there is no reduction in interest rates over the next few months. We have reduced our forecast of North American car and truck production in 1982 to 9.0 million units, which is even lower than in 1981. Business spending on non-residential construction should again show real growth although not at the same rate as in 1981. If these economic forecasts do in fact materialize, a modest upturn in Group markets should take place in the second half of the year. Earnings in 1982 will benefit from the elimination of the significant 1981 losses in metal trading and at the now sold Murphysboro, Illinois, extrusion facility. Increased earnings should also be obtained from

continued penetration of commercial construction markets; from an improved contribution from the ongoing extrusion operations acquired early in 1981; and from the design engineering sector, primarily through the supply of helicopter hauldown equipment.

Capital expenditures for 1982 are under close scrutiny and only essential expenditures will be committed during the current uncertain conditions. Internal expansions already approved include a new process for the production of laminated glass which will represent an important addition to the tempered glass operations, the consolidation into one location of the two extrusion operations in California and an increase in aluminum remelting capacity at Gulfport, Mississippi.

Strategic objectives

The immediate objective of management is to improve earnings per share and the return on investment of your Company. While better market conditions are unquestionably necessary to achieve full earnings potential, priority will continue to be given to the reduction of costs, better utilization of working capital and further expansion in those areas of your Company's business where growth conditions exist. Part of this objective will be the continued improvement and integration of the ongoing extrusion operations acquired early in 1981.

A longer term corporate objective concerns the need for further market diversification. Although lower than in previous years, overall dependence on the residential construction market in 1981 was still 33% of total sales, with dependence on this market in the United States considerably higher than in Canada. One of the objectives of management, over a period of time, will be to further reduce your Company's dependence on the residential construction market. This is not because of any inherent dissatisfaction with the market itself but simply to lessen the impact on earnings of the increasingly short cyclical movements in interest rates which have a direct bearing on activity in this market. Many forecasts for interest rates in the 1980's suggest shorter terms for fixed rate mortgage borrowing and, if this is the case, it will compound the tendency to shorter cycles in the housing market. Your Company has the products, expertise and productive capacity to benefit fully from upturns in the market for new housing which will continue to be significant to your Company. However, lower dependence on this market will contribute to greater earnings stability. Methods of accomplishing this will include increased emphasis on the non-residential construction and industrial markets and on the replacement and remodelling market for residential products; expansion of design engineering and glass fabrication facilities; and diversification, by internal ventures and by acquisition.

The immediate priority of improving earnings from existing operations will restrict major acquisition activity in the short term. This need not, however, restrict growth. Your Company has in the past followed a successful policy of committing its capital resources to new ventures and products that have good growth potential and that complement existing activities. This policy will continue.

Board changes

James A. Paterson, Chairman and Chief Executive, R.T.Z. Industries Limited and a member of the Board of Directors of Indal Limited and its Executive Committee, died suddenly last November. Mr. Paterson was the driving force behind the formation of Indal in1964 and played a vital role in the growth of your Company from that time until his death. On behalf of the Board, we wish to express our deep regret at his death and to record our appreciation for his very valuable contribution to the Company.

Three new directors, Messrs. Michael M. Freeman, G. Allan MacKenzie and Alastair H. Ross, have joined the Board during the past year.

Dividend policy

Dividends paid on the preferred shares of the Company in 1981 amounted to $2.5 million. Dividends paid on the common shares of the Company amounted to $7.7 million (80¢ per share)—the same amount as in 1980.

Dividend policy takes into consideration the outlook for earnings, the capital needs of the Company, and a desire for consistency. The anticipated length and depth of the recession will be major factors when considering future dividend levels.

Conclusion

We have attempted to outline the immediate difficulties facing your Company in its major markets. Business conditions will be extremely difficult in the first half of 1982 but a gradual improvement in economic conditions is anticipated, particularly in the United States, as the year develops, and a recovery could be underway by the summer. If reasonable market conditions in the second half do materialize, your Company should show an improvement in earnings in 1982. Over the longer term, your Company as presently constituted requires lower and more stable interest rates for profitability to reach its full potential. The strategy of reducing exposure to interest sensitive markets will be pursued.

Once again we would like to express our thanks to all our employees, whose dedication in 1981, during most difficult market conditions, is deeply appreciated.

On behalf of the Board

Walter E. Stracey
Chairman of the Board

Dermot G. Coughlan
President and Chief Executive Officer

March 12, 1982

Indal's markets and operations

Introduction

Since its inception in 1964 as a small extruder of aluminum and producer of cold rollformed metal products Indal has grown to its present size both by internal development and by acquisition.

Before reviewing 1981 performance in detail and the outlook for 1982 for each of the Company's market segments, it may be helpful here to outline the Company's products, markets and processes, and their relationships to each other. For convenience, a glossary of technical terms has been provided on page 44 of the Annual Report.

Development

In its early development from aluminum extrusions and steel rollforming, the Company acquired or established a number of operations manufacturing doors, windows and related products for the residential, non-residential and home improvement markets. These operations provided additional outlets for extrusions and stimulated further expansion of the original extrusion business.

Gradually the Company broadened its interests to include wood windows, insulated steel entry doors and related home improvement products. A further extension of activities occurred with the introduction of legislation requiring the use of tempered glass in new construction and in certain home improvement products. Many of these products were manufactured by Group companies and in 1974 the Company established its first glass tempering plant in Toronto.

For the first nine years, the Company's interests were exclusively in Canada. In view of the size and proximity of the U.S. market it was a logical development to extend operations to that country and in 1973 the first U.S. operation was established. Most of the Company's activities in Canada have now been extended to the United States.

Diversification

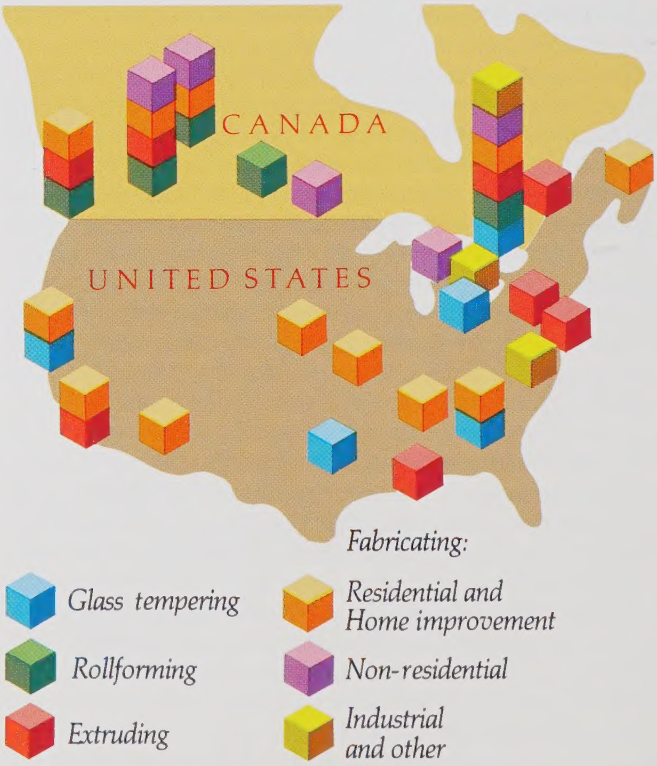
To counter-balance dependence on the construction market, Indal acquired and later expanded manufacturing operations serving other markets. A prime example of this was the purchase in 1972 of the steel stamping and fabrication operation in Windsor, Ontario serving the automotive industry. Other diversification included a small manufacturer of office partition systems and a design engineering company which produces helicopter hauldown systems, wind turbines and a variety of custom-engineered products serving diverse markets. The extrusion operations recently acquired in the United States have broadened the Company's product range in existing markets, and extended operations to new markets such as electrical, engineering, and marine transportation.

While these diversifications have broadened Indal's product and market base, they have also built on the Company's expertise as a processor and fabricator. Wherever possible, additional volume has been created for the Company's basic processes and it is in large part the common thread of these basic production processes which links the Company's investments to each other.

Production processes

Group operations use significant quantities of aluminum, steel, glass, wood and zinc, although none of these materials, with the exception of recycled aluminum, are produced by the Company, which is a processor or converter and fabricator of these materials.

Aluminum	Recycling Extruding and fabricating Rollforming and fabricating
Steel	Rollforming and fabricating Stamping and fabricating
Glass	Tempering and fabricating
Wood	Profiling and fabricating
Zinc	Diecasting and fabricating



Geographic representation

Initially, Indal's rollforming and aluminum extrusion businesses served regional markets, the former in western Canada and the latter in eastern Canada. Gradually geographic representation was broadened until, as indicated on the map, Indal achieved representation across the country. In comparable fashion, fabricating and glass tempering plants have been established in Canada and the major growth areas of the United States. The emphasis of development in Canada has been in the heavily populated area of Southern Ontario and the fast growing provinces in the West. In the United States, the Sunbelt area, particularly California and the Southeast, has been favoured.

Operating philosophy

The Company has a philosophy of granting a high degree of operating autonomy to local management, backed by sound financial control and reporting systems. The remuneration of profit centre managers is incentive-oriented.

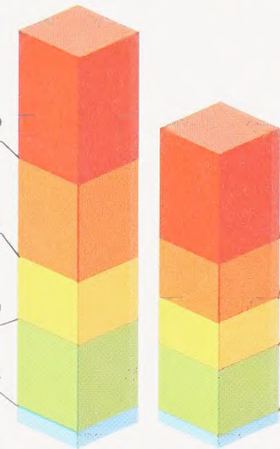
Market dependence

The charts indicate the relative sizes of Indal's principal markets in terms of external sales and segment operating profits before interest expense. It is in line with the Company's objectives for diversification that dependence on the residential construction market is declining and that the importance of the growing non-residential market in particular is increasing.

Summary

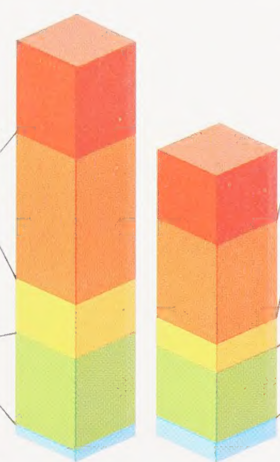
The Company is involved in five principal areas of activity. The four manufacturing markets are defined as residential construction; non-residential construction; home improvement and consumer; and industrial. The fifth area of activity is metal trading.

External sales



	1981 $ millions	%	1980 $ millions	%
Residential construction	$191.7	32.9	$158.2	35.8
Non-residential construction	$148.3	25.4	$ 92.2	20.8
Home improvement and consumer	$ 93.3	16.0	$ 78.4	17.7
Industrial	$131.4	22.5	$ 97.9	22.1
Other manufacturing	$ 18.8	3.2	$ 15.9	3.6
	$583.5	100.0	$442.6	100.0

Segment operating profits (note)



	1981 $ millions	%	1980 $ millions	%
Residential construction	$13.3	23.5	$10.2	24.9
Non-residential construction	$21.5	38.1	$13.9	34.0
Home improvement and consumer	$ 7.2	12.7	$ 4.3	10.5
Industrial	$12.4	22.0	$ 9.9	24.2
Other manufacturing	$ 2.1	3.7	$ 2.6	6.4
	$56.5	100.0	$40.9	100.0

Note: segment operating profits are before interest expense and consolidation eliminations

Residential construction

Segmented financial data
(in thousands of dollars)

	1981	1980	change
External sales	**$191,703**	$158,169	+21.2%
Operating profit (before interest expense)	**13,342**	10,257	+30.1%
% profit to sales	**7.0%**	6.5%	

Residential construction products: *for use in all types of residential construction. Examples: entrance, patio and storm doors; windows; kitchen and bathroom cabinets; other building products.*

Principal manufacturing processes: *aluminum extruding; wood profiling; aluminum and steel rollforming; glass tempering; zinc diecasting; fabrication and assembly.*

Review of 1981

The optimism expressed in the 1980 Annual Report was short-lived as rising interest rates made it progressively more difficult for prospective home buyers to qualify for mortgages, thereby depressing building activity. Despite the deterioration in conditions, overall gains in sales and profitability were achieved for the year as a whole, compared with the low levels of 1980.

In Canada, residential operations experienced some recovery as housing starts increased by 12% to 178,000 units from 159,000 in the previous year. However these statistics are somewhat distorted by a late surge as developers rushed to put in footings for multiple unit residential buildings (MURBS) to qualify for tax concessions due to expire on December 31, 1981. The Company's principal markets, Ontario and the Prairie provinces, demonstrated the most improvement over 1980. While no significant gains in market penetration were made, profits benefited from increased plant utilization and efficiency and the results of economies instituted in 1980.

In the United States, residential construction had its worst year since records were first compiled in 1946, with housing starts falling by 16% from 1.3 million in 1980 to 1.09 million in 1981. While the Company's U.S. sales did grow slightly in real terms due to greater demand for insulated steel entry door systems and sales generated by new ventures, this was not sufficient to generate any real increase in profits. The new operation established in Prescott, Arizona, to serve the aluminum door and window market in the western United States encountered stiff price competition. In Gainesville, Georgia, design changes to the new high-quality wood window caused a delay in national promotion of the product. These startup difficulties had an adverse impact on profits. On a regional basis, the operations in Tennessee, Nebraska and California experienced very depressed markets.

Wood windows supplied by McKnight Window Industries Division, being installed at Runnymede Development Corporation Limited's Spring Farms Estates near Toronto, Ontario.

Outlook for 1982

While some improvement in the U.S. housing market is forecast, the outlook for Canada is less encouraging. Housing starts in Canada are expected to fall by 10% to around 160,000 units following the elimination of tax incentives in respect of MURBS although the building products industry will enjoy a contribution from the December surge mentioned above. High interest rates will continue to play a large part in the affordability of housing. The Prairie market in particular will be influenced by developments in the oil industry and the future of the Alsands project.

Although residential construction in the United States is expected to remain weak during the first half of the year, activity should pick up in the second half, producing 1982 starts of some 1.3 million units, a real terms increase of approximately 20%. Past Annual Reports have referred to a projected requirement of 2.0 million new houses per annum to satisfy the demographics of the housing market in the 1980's. The projected level for the current year falls far short of this but suppressed demand should generate substantially higher volume for the Company's products beyond 1982.

It is in the U.S. residential market that the Company has the opportunity to make substantial increases in profitability in coming years. Stronger markets will improve margins as plant utilization increases and as price competition becomes less of a factor. Also the new ventures serving the national wood window and the western U.S. aluminum door and window markets will begin to generate a return on the investment made over the last two years.

Indal has no plans to increase its investment in the residential construction market beyond its current level but it has in place a sound base with exciting growth potential.

Kitchen and bathroom cabinets are manufactured by Kabinart Corporation, Nashville, Tennessee.

Non-residential construction

Segmented financial data
(in thousands of dollars)

	1981	1980	change
External sales	**$148,314**	$92,161	+60.9%
Operating profit (before interest expense)	**21,521**	13,912	+54.7%
% profit to sales	**14.5%**	15.1%	

Non-residential construction products: *for ultimate use in industrial, commercial and institutional construction. Examples: commercial entrances and store fronts; revolving door systems; door closers; windows; industrial and agricultural cladding; curtainwall; pre-engineered buildings; office panels, screen systems and furniture components; agricultural grain bins; custom-size tempered glass.*

Principal manufacturing processes: *aluminum extruding; aluminum and steel rollforming; glass tempering; fabrication and assembly.*

Review of 1981

Once again the non-residential construction segment of the Company's business performed exceptionally well, recording significant increases in sales and profits.

The three continuing operations of the acquisition made at the end of January 1981 account for the major proportion of these increases. The aluminum fabrication operation based in Reed City, Michigan, which sells non-residential entrance and window systems in most States east of the Rocky Mountains, exceeded expectations, confirming that it offers considerable scope for profitable growth. Approximately half the aluminum extrusions produced by the plant in Gulfport, Mississippi is used in electrical and structural non-residential applications. The Gulfport operation, which has its own billet casting capability, benefited from low scrap prices and its ability to produce special alloys. Its market area, the rapidly expanding sector within a 200-mile radius of New Orleans, showed considerable strength and demonstrates good future prospects. The City of Industry, California operation which also has its own billet casting capability has added significant volume in the western United States.

In Canada, particularly in Alberta, the low vacancy rate in office buildings and continued demand for commercial property produced another increase in non-residential construction. The Company's fabricating operations in Toronto, Winnipeg and Calgary achieved record earnings as did the glass tempering business in Toronto which serves the market nationally. This market activity in turn had a beneficial impact on the Company's aluminum extrusion operations in Canada which supply much of Group requirements. Indal's rollforming operations which manufacture industrial and agricultural roofing and siding at five plants across the country increased their contribution once again, assisted by good agricultural sales following a record harvest. The small operation which manufactures office panels, screen systems and furniture components also had another excellent year.

Indal has four regional plants in the United States producing distortion-free tempered glass in custom sizes for non-residential construction applications. Despite some weakness in California and a more intense competitive environment, several factors contributed to another outstanding year from these businesses. A new furnace installed in the Atlanta, Georgia plant during the year had a beneficial impact. In Texas further market penetration enabled the plant there, in only its second full year of operation, to record another excellent performance. In Toledo, Ohio, gains came from special market factors and progress was made in the development of a new glass laminating process.

Tubelite Division also manufactures aluminum doors and windows for commercial applications such as many McDonald's outlets in which its products have been used.

Tubelite Division in Reed City, Michigan, manufactures revolving doors such as this one installed in the Meridian Hotel in downtown Boston, Massachusetts.

Outlook for 1982

Although no substantial increase in profits is anticipated, results should at least match 1981 performance. The non-residential construction market in the last two years has shown less sensitivity to interest rate movements than other sectors of the Company's business but this may not continue much longer. While current strength is a function of demand which is being gradually satisfied as each new building is completed, it also reflects the fact that finance for projects now in progress was arranged prior to the escalation of rates. Higher finance charges may prove to be a deterrent to new development where demand for commercial and office space has moderated.

Group operations in Canada fabricating aluminum entry, window and curtainwall systems have entered 1982 with record order backlogs. They look forward to a strong first half year but expect to encounter some slowdown later in the year. As a result, the aluminum extruding and glass tempering operations in Canada which supply these fabrication operations could also experience similar weakness later in the year.

While some economic forecasts predict a real decline in non-residential construction in Canada in 1982, this would not likely have a significant effect on the rollforming plants serving this market. Efforts to penetrate the growing market for retrofitting (the upgrading of the quality of cladding on old industrial buildings for energy conservation purposes) will continue while broader geographic coverage of the agricultural market should increase sales.

Glass tempering may suffer some margin loss from increased competition but the addition of a second furnace in California, the Company's seventh in the United States, will give the California operation a more flexible production base. During the year the Company plans to introduce a new glass laminating process to certain tempering operations, thereby broadening their product range.

Finally, the area of greatest potential lies in the recently acquired operations. As suggested in last year's Annual Report, margins from these businesses should be capable of some improvement. By providing the funds for some essential capital expenditure and by encouraging participation in new markets, Indal should enjoy improved returns from these acquisitions as the economy gathers strength.

RAM Partitions Division in Toronto, Ontario, manufactures acoustic panel and furniture component systems for open-plan offices.

The curtainwall incorporating silver reflective double glazing on the A.E. LePage office building in downtown Edmonton, Alberta, was supplied and installed by Dominion Bronze Limited, Winnipeg, Manitoba.

Home improvement and consumer

Segmented financial data
(in thousands of dollars)

	1981	1980	change
External sales	$93,320	$78,421	+19.0%
Operating profit (before interest expense)	7,149	4,292	+66.6%
% profit to sales	7.7%	5.5%	

Home improvement and consumer products: *for use in home improvement. Examples: replacement entrance, patio, storm and screen doors; replacement windows; door and window hardware; weatherstripping and thresholds; shower and tub enclosures; mirror doors; ladders; recreational vehicle components; garden furniture.*

Principal manufacturing processes: *aluminum extruding; aluminum and steel rollforming; glass tempering; zinc diecasting; fabrication and assembly.*

Review of 1981

Increased market penetration rather than increased demand was responsible for the sales growth of the Company's home improvement products during the year. As noted earlier, high interest rates have substantially restricted consumer spending, causing intensified competition among suppliers and squeezing margins. The Company benefited, however, from the elimination in the previous year of certain unprofitable lines and from other reorganizations.

In Canada, the growing replacement window market generated new business for aluminum extruding operations while sales of ladders and shower and tub enclosures were also strong. Progress towards restored profitability at the Toronto aluminum door and window operation was achieved with the development of new product designs and the re-examination of market strategies.

As already indicated in the review of residential construction, conditions in the United States severely hampered the development of the new aluminum door and window operation in Arizona causing it to incur start-up losses. The Smyrna, Tennessee plant which serves the eastern United States performed well. The replacement window business in Philadelphia made continued progress.

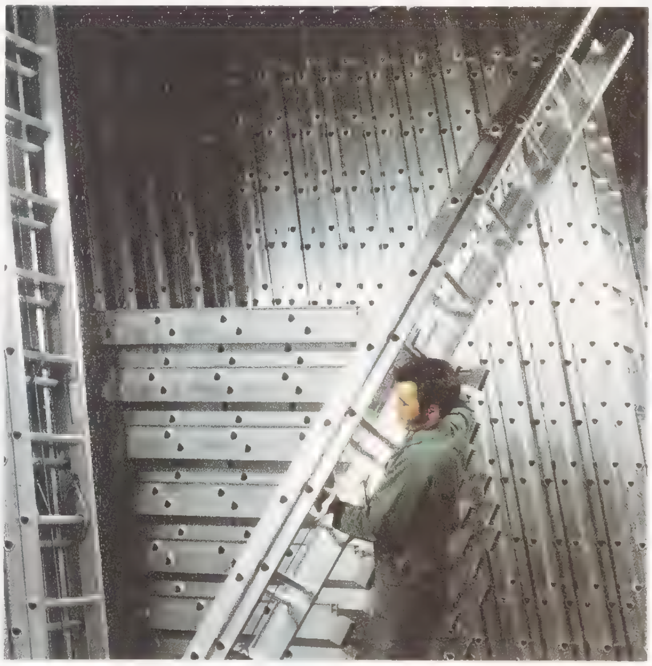
Storm doors are among the building products for the home improvement market manufactured by Indal Products Group at its plants in Toronto, Ontario and Amherst, Nova Scotia and by Better-Bilt Aluminum Products Co. at its plants in Smyrna, Tennessee and Prescott, Arizona.

Outlook for 1982

One of the key factors influencing the demand for home improvement and consumer markets in 1982 will be the level of unemployment which is projected to rise in both Canada and the United States to about 9%. This, together with high interest rates may depress demand, as more consumers cut back on discretionary spending. Major profit improvements will only arise when recently created capacity in the United States is more fully utilized.

Strenuous efforts will be needed to increase market share. The market for replacement products, particularly windows and doors with energy conserving features, is growing, as innovative design changes are introduced to make installation by the "do-it-yourself" buyer easier.

It is one of Indal's more important longer term strategies to build a strong position in this market, drawing on the strengths it already has in its production techniques and manufacturing capacity.



Indal Products' Lite Metals Division in Mississauga, Ontario, manufactures aluminum ladders for general home use and for commercial and industrial purposes.

Industrial

Segmented financial data
(in thousands of dollars)

	1981	1980	change
External sales	$131,408	$97,883	+34.3%
Operating profit (before interest expense)	12,400	9,895	+25.3%
% profit to sales	9.4%	10.1%	

Industrial components: *for incorporation in industrial and defense products. Examples: automotive stampings, fabricated products and containers; computer, other machine and general industrial components; helicopter hauldown and rapid securing systems; hangars; wind turbines; custom-engineered products; components for marine and land transportation equipment.*

Principal manufacturing processes: *aluminum extruding; steel stamping; fabrication and assembly.*

Review of 1981

The increase in the Company's activities in this market demonstrated by the above data was derived from acquisitions rather than internally-generated growth as Indal's key industrial markets remained depressed.

The purchase of the new extrusion operations in Mississippi and California added 17% to Indal's industrial sales, contributing new business in the truck-trailer, military, naval and commercial-marine markets. As already indicated in the review of non-residential construction, both operations benefit from having remelt plants for recycling aluminum scrap. The remelts enable them to produce billet for their own requirements at reduced cost and to produce special alloys not readily available in the market.

Only 9.3 million cars and trucks were produced in North America in 1981, the worst year since 1962. Consequently, no real increase in the sale of steel stampings, fabricated parts or aluminum extrusions to the automotive sector was achieved.

Further progress was made during the year by the operation in Toronto producing engineered products of a specialized nature. A plant expansion is underway in preparation for the start of production of hauldown systems for the U.S. Navy, and sales from the hauldown system are expected to reach significant proportions over the next few years. Delivery of the first system is scheduled for 1983. The operation is continuing its development of wind turbines for the generation of electricity.

Indal Aluminum Gulfport Division, produces extrusions for marine applications such as the hull construction of crew supply boats used to service off-shore oil rigs in the Gulf of Mexico and overseas.

Outlook for 1982

A slow start to 1982 is anticipated, with the possibility of an upturn in the second half of the year.

Car and truck production in North America is now expected to reach only about 9.0 million units in 1982, which will preclude the possibility of any major recovery in the automotive sector during the current year.

Progress is being made in assimilating the recently acquired extrusion businesses with the objective of generating increases in profitability. Indal's two extrusion operations in Los Angeles are being combined in an expansion of the newly acquired plant and additional remelt capacity is being added at the Mississippi operation.

Continued efforts will be made to develop and increase the Company's participation in industrial markets from the sound base which has already been created. The U.S. Navy contract is a factor in this but many other opportunities exist in the supply of aluminum extrusions as components of transportation, electrical, computer, and military equipment.

Aluminum wave-guides extruded by Mideast Aluminum Industries Division in Dayton, New Jersey, are key components of the Westinghouse radar system installed in the Airborne Warning and Control (AWAC) aircraft manufactured by Boeing Aircraft Corporation.

Metal trading

Segmented financial data
(in thousands of dollars)

	1981	1980
External sales	$119,218	$210,926
Net earnings	(2,867)	1,062

Review of 1981

The Company's metal trading subsidiary in Cleveland, Ohio, is principally engaged in the trading of aluminum, primarily in North America. Trading mainly comprises purchases and sales of metal for forward delivery at firm prices. The company maintains a close relationship between its aggregate forward purchase and sales commitments to reduce exposure to market fluctuations. It will normally have a small net forward purchase position, within controlled limits. The company is now also playing an important role in the purchase and administration of the Group's prime aluminum and scrap requirements.

In 1981, for the first time since the metal trading operation was acquired in 1973, a significant loss was incurred. The pattern of consistently increasing free market prices which had characterized previous years did not continue in 1981 and in fact the discount at which free market metal was trading from producer list prices increased progressively over the year and reached unprecedented levels of 30%-35% by late in the year.

In these conditions, and because of the absence of any sign of short-term improvement in the market, the metal trading operation in 1981 substantially liquidated its net forward purchase position. In the face of the continuing erosion in market price and the lack of metal demand over the year, the operation was unable to make a contribution to overheads.

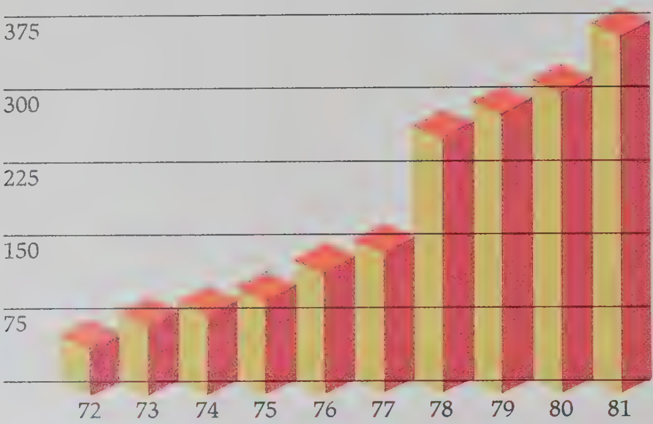
Outlook for 1982

The outlook for metal trading in 1982 is not bright, because of continuing low demand and depressed prices, at least through the first half of the year. While the elimination of the net forward commitment position will preclude the possibility of the metal trading operation making a substantial profit in 1982, it will also insure against the possibility of a loss of the 1981 proportions.

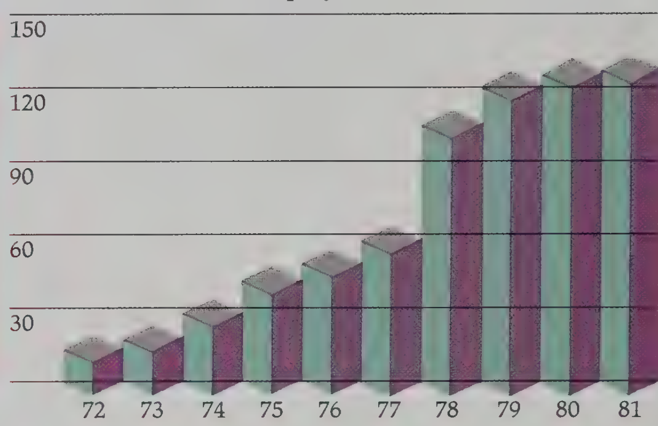
Indalex Division supplies extrusions for truck-trailer construction by Trailmobile Limited, Brantford, Ontario.

Financial charts

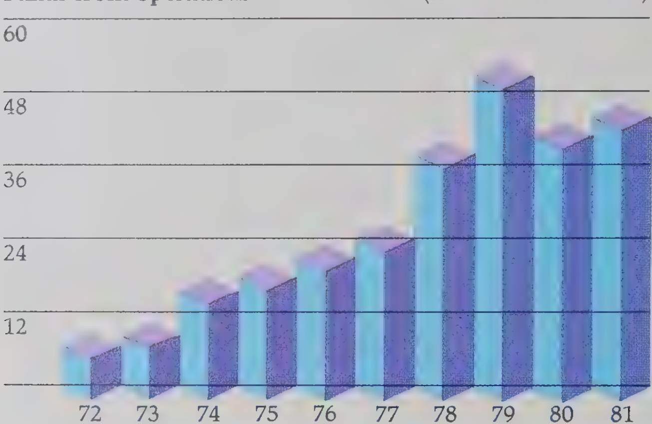
Total assets (millions of dollars)



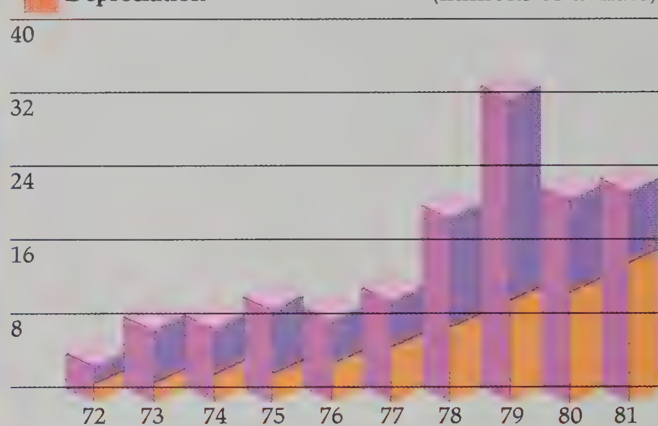
Common shareholders' equity (millions of dollars)



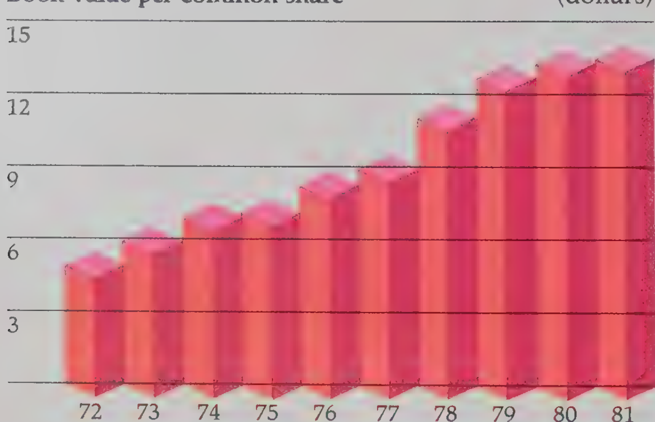
Funds from operations (millions of dollars)



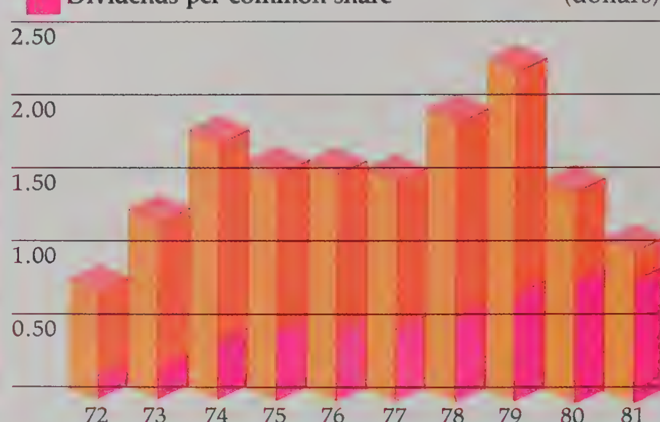
Capital expenditure
Depreciation (millions of dollars)



Book value per common share (dollars)



Earnings per common share
Dividends per common share (dollars)



Financial review

Changes in accounting policy and presentation

The 1981 financial statements reflect a change in accounting policy and a change in presentation, designed to improve the quality of the Company's financial reporting, as follows:

(a) A change in the method of accounting for unrealized gains or losses arising on the translation of the financial statements of foreign subsidiaries to Canadian dollars, which is explained fully in note 1 to the financial statements. Briefly, unrealized gains or losses arising on the translation of net current assets of foreign subsidiaries are no longer included in earnings but are transferred directly to a currency translation account in the consolidated balance sheet. This accounting treatment eliminates the potentially volatile effect that such unrealized gains or losses can have on the Company's earnings. Canadian generally accepted accounting principles do not allow this reserve to be classified as shareholders' equity although it is the view of management that this would be the more appropriate treatment.

(b) The format of the consolidated statement of changes in financial position has been amended to reflect the movement in bank advances (net of cash) and long-term liabilities, rather than the movement in working capital. This presentation provides more pertinent information, especially in current economic conditions.

Earnings statement

Sales from continuing operations were $584 million compared with $443 million in 1980, an increase of 32%. Of this increase, one half was contributed by the three continuing extrusion operations acquired in January 1981.

Earnings from continuing operations before income taxes were $28 million compared with $27 million in 1980. This improvement was achieved through the maintenance of gross profit margins on the higher 1981 sales despite extremely competitive market conditions, and in spite of substantially increased financial expenses due to the cost of the additional borrowing undertaken to finance the 1981 acquisition and much higher interest rates. Interest rates averaged 19.4% in Canada and 18.9% in the United States compared with 14.4% and 15.3% respectively in 1980.

The Group effective income tax rate on earnings from continuing operations was 33% compared with 40% in 1980, principally reflecting some internal restructuring of the Company's financing arrangements.

In December, the Murphysboro, Illinois extrusion operation was closed. The operating results and the provision for loss on disposal have been segregated from the results of continuing operations in the consolidated earnings statement and reflected as "Loss from discontinued operation." This disclosure enables earnings from continuing operations to be assessed.

As discussed in the market review section of the Annual Report, the metal trading operation incurred net losses of $2.9 million in 1981 compared with a net profit of $1.1 million in 1980 including the $1.0 million proceeds of a key man life insurance policy.

Cash flow and balance sheet

As noted earlier, the consolidated statement of changes in financial position has been revised to disclose the movement in bank advances (net of cash) and long-term liabilities rather than in working capital.

A summary of the statement is as follows:

(in millions of dollars)	1981	1980
Cash inflow from operations	$ 44.1	$41.1
Cash outflow from operations		
Investment in fixed assets	22.5	21.8
Investment in working capital	(4.1)	3.4
Taxation payments	15.0	6.0
Dividends to shareholders	10.5	10.5
Other	4.2	1.9
	48.1	43.6
Net cash outflow from operations	4.0	2.5
Fixed assets and working capital of business acquired	45.5	—
Net cash outflow	49.5	2.5
Net borrowings—beginning of year	83.1	80.6
Net borrowings—end of year	$132.6	$83.1

Net cash outflow from operations was $4.0 million in 1981, after capital expenditures of $22.5 million during the year in respect of replacement, enhancement and expansion of various Group operations. As highlighted, net cash outflow in 1981 included $45.5 million in respect of fixed assets and working capital of the new extrusion operations acquired in the United States early in 1981. This acquisition accounted for virtually all of the increase in net borrowings during the year.

The Company's current ratio was 2.4:1 at the end of 1981 compared with 3.0:1 at the end of 1980, reflecting the part-financing of the acquisition from current funds. The liquidity ratio deteriorated somewhat from the 1980 level but remains strong.

Total assets at December 31, 1981 were $362 million compared with $304 million a year earlier. Current assets increased by $46 million, including the working capital of the business acquired. To finance the increase in assets, short-term borrowings and long-term liabilities increased by $50 million.

Corporate management

Top photo, left to right:
Jon N. LeHeup, Group Vice-President; Peter G. Selley, Senior Vice-President, Finance; J. Norman McKnight, Senior Vice-President; Thomas A. Rosko, Group Vice-President.

Middle photo, left to right:
W. Lyle Muir, Administrator, Risk Management and Employee Benefits; A. M. Gordon Turnbull, Vice-President, Treasurer; John D. Hillery, Vice-President, Corporate Counsel and Secretary; Vincent J. Howcroft, Vice-President, Administration; George A. Godwin, Assistant Corporate Counsel and Assistant Secretary.

Bottom photo, left to right:
Kerin H. S. Lloyd, Vice-President, Manufacturing and Marketing Services; Peter E. Wyatt, Controller; Peter Suurtamm, Manager, Information Systems; Downie Brown, Vice-President, Corporate Development.

Management's report to the shareholders

The accompanying financial statements and all information in the Annual Report have been prepared by management and approved by the Board of Directors of the Company. The financial statements were prepared in conformity with the generally accepted accounting principles considered appropriate in the circumstances. The significant accounting policies followed by the Company are set out on page 24. Management is responsible for the accuracy, integrity and objectivity of the consolidated financial statements within reasonable limits of materiality, and for the consistency of financial data included in the text of the Report.

To assist management in the discharge of these responsibilities, the Company maintains a system of internal control designed to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared. Management believes that this system is appropriate in terms of cost and risk to meet the objectives outlined. The Company's internal audit department, working under the direction of management, monitors the system of internal control to ensure that adequate standards are maintained.

The consolidated financial statements have been examined independently by Coopers & Lybrand on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report below outlines the nature of their examination and their opinion on the consolidated financial statements of the Company.

The Company's Audit Committee is appointed by the Board of Directors annually and is comprised of non-management directors. The Committee meets with management as well as with the internal and external auditors to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders.

February 11, 1982

P. G. Selley
Senior Vice-President, Finance

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Indal Limited at December 31, 1981 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in method of accounting for adjustments arising from the translation of net assets denominated in foreign currencies, as explained in note 1 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Ontario
February 11, 1982

Coopers & Lybrand

Significant accounting policies

Accounting standards

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries except Rio Indal, Inc., a metal trading operation, which is accounted for by the equity method. All material inter-company items and transactions are eliminated on consolidation. Acquisitions are consolidated from the date of acquisition.

Foreign currency translation

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the year-end. Income and expenses in foreign currencies are translated to Canadian dollars at rates approximating the average rates of exchange during the year. Exchange differences arising on translation of the financial statements of foreign subsidiaries are taken to a currency translation account in the consolidated balance sheet.

Inventories

Raw material inventories are valued at the lower of cost and replacement cost and other inventories are valued at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

Fixed assets

Fixed assets, including expenditures which improve or prolong the useful lives of the assets, are stated at cost. Fixed assets obtained through acquisitions are stated at the values assigned at date of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of the assets. Estimated useful lives range from twenty to forty years for buildings, eight to ten years for machinery and equipment, seven to ten years for office furniture and equipment, three to four years for motor vehicles and two to ten years for tools and dies. Leasehold improvements are amortized over the terms of the leases.

Maintenance and repair costs of a routine nature are expensed as incurred.

Capital leases

Leases that transfer substantially all the benefits and risks of ownership are capitalized. Other leases are accounted for as operating leases.

Goodwill

Goodwill resulting from acquisitions or agreements entered into prior to January 1, 1974 is not amortized. Goodwill resulting from acquisitions subsequent to January 1, 1974 is amortized on a straight-line basis, over its estimated life or forty years, whichever is the lesser.

Deferred charges

Start-up and preproduction costs are amortized over periods of one to five years. Debenture issue expenses are amortized over the terms of the debentures. Patents and licences are amortized over their estimated useful lives.

Inter-segment sales

Inter-segment sales are accounted for at prices comparable to open market prices.

Long-term contracts

Sales and earnings related to long-term construction and design engineering contracts are recognized on a percentage of completion basis. Full provision for estimated losses on contracts is made as soon as these are identified.

Income taxes

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- Depreciation and amortization—where the cumulative amounts claimed for tax purposes differ from the amounts written off for accounting purposes.
- Accounts receivable holdbacks—where amounts are not taxed until released.
- Inventories—where values determined on the last-in, first-out method have been restated on the first-in, first-out method on consolidation.

Investment tax credits are taken into income in full when they arise.

Earnings per share

Earnings per common share are calculated after deducting dividends on preferred shares and using the weighted average number of shares outstanding during the year.

Fully diluted earnings per common share are computed as though outstanding stock options had been exercised at the beginning of the year.

Consolidated statements of earnings and retained earnings

for the year ended December 31, 1981

(in thousands of dollars)	1981		1980	
Earnings		%		%
Sales	$583,549	100.0	$442,577	100.0
Cost of sales	438,625	75.2	332,945	75.2
Gross profit	144,924	24.8	109,632	24.8
Expenses				
Selling and distribution	53,852	9.2	40,120	9.1
Administration	42,686	7.3	32,555	7.4
Financial	19,949	3.4	9,656	2.2
	116,487	19.9	82,331	18.7
	28,437	4.9	27,301	6.1
Other expenses (net)	468	0.1	319	—
Earnings from continuing operations before income taxes	27,969	4.8	26,982	6.1
Income taxes (note 4)	9,235	1.6	10,872	2.5
Earnings from continuing operations	18,734	3.2	16,110	3.6
Loss from discontinued operation (note 6)	(3,100)	(0.5)	—	—
Earnings from manufacturing operations (note 3)	15,634	2.7	16,110	3.6
Earnings/(loss) from metal trading accounted for by the equity method (note 5)	(2,867)	(0.5)	1,062	0.2
Earnings before minority shareholders' interests	12,767	2.2	17,172	3.8
Minority shareholders' interests	226	—	1,344	0.3
Net earnings	$ 12,541	2.2	$ 15,828	3.5
Earnings per common share				
Basic	$ 1.04		$ 1.42	
Fully diluted	$ 1.04		$ 1.40	

	1981	1980
Retained earnings		
Balance—beginning of year		
As previously reported	$ 64,238	$ 56,977
Transferred to currency translation account (note 1)	(4,375)	(3,061)
Balance—as restated	59,863	53,916
Net earnings	12,541	15,828
	72,404	69,744
Dividends paid		
Preferred shares	2,536	2,194
Common shares	7,708	7,687
	10,244	9,881
Balance—end of year	$ 62,160	$ 59,863

Consolidated balance sheet

as at December 31, 1981

(in thousands of dollars)	1981	1980
Assets		
Current assets		
Cash	$ 1,881	$ 1,117
Accounts receivable	79,934	67,569
Inventories (note 7)	107,876	80,387
Income tax recoverable	4,525	—
Other accounts receivable and prepaid expenses	6,468	6,451
Net assets of discontinued operation	525	—
	201,209	155,524
Investment in non-consolidated subsidiary (note 5)	3,279	7,260
Fixed assets		
Land	10,021	8,470
Buildings	51,242	44,378
Machinery and equipment	84,032	71,694
Leasehold improvements	5,715	5,474
Office furniture and equipment	5,437	4,723
Motor vehicles	8,158	6,942
	164,605	141,681
Accumulated depreciation	(49,723)	(39,617)
	114,882	102,064
Tools and dies—at cost, less amortization	4,090	3,406
	118,972	105,470
Intangible assets		
Goodwill (note 9)	35,948	34,190
Deferred charges, less amortization (note 10)	2,256	1,379
	38,204	35,569
	$361,664	$303,823

Signed on behalf of the Board

D. G. Coughlan, Director
P. G. Selley, Director

	1981	1980
Liabilities		
Current liabilities		
Bank advances	$ 28,565	$ 3,049
Accounts payable	24,139	18,190
Other accounts payable and accrued charges	18,559	16,332
Income and other taxes payable	2,852	5,281
Deferred income taxes relating to current items	4,165	3,600
Current portion of long-term liabilities (note 11)	6,635	5,668
	84,915	52,120
Long-term liabilities less current portion (note 11)	99,314	75,499
Deferred income taxes	13,941	12,808
Minority shareholders' interests in subsidiary companies	5,750	8,002
Currency translation account	4,301	4,460
	208,221	152,889

Shareholders' equity

Capital stock (note 12)		
Issued and fully paid		
1,000,000 floating rate preferred shares	25,000	25,000
9,643,445 (December 31, 1980—9,615,789) common shares	66,283	66,071
Retained earnings	62,160	59,863
	153,443	150,934
	$361,664	$303,823

Consolidated statement of changes in financial position

for the year ended December 31, 1981

(in thousands of dollars)	1981	1980
Source of funds		
Operations:		
Earnings before income taxes	$ 27,969	$ 26,982
Items not affecting funds		
Depreciation and amortization of fixed assets	14,717	12,014
Amortization of goodwill	627	561
Amortization of deferred charges	878	234
(Profit)/loss on sale of shares	(13)	(34)
(Profit)/loss on sale of fixed assets	(570)	(77)
Dividends from metal trading operations	540	1,467
	44,148	41,147
Proceeds from sale of fixed assets	2,288	960
Issue of common shares	212	139
Other	480	(863)
Total source of funds	47,128	41,383
Application of funds		
Working capital (excluding fund items):		
Accounts receivable and prepaid expenses	(1,623)	4,002
Inventories	4,601	(2,538)
Accounts payable, accruals and other taxes	(7,066)	1,961
Working capital of business acquired	35,351	—
	31,263	3,425
Purchase of fixed assets	22,479	21,792
Additions to deferred charges	551	1,278
Net payment arising from transactions in shares of subsidiaries	5,883	847
Fixed assets of business acquired	10,115	—
Taxation payments	15,020	6,026
Dividends		
Preferred shares	2,536	2,194
Common shares	7,708	7,687
Minority shareholders	212	634
Total application of funds	95,767	43,883
DECREASE IN FUNDS FROM CONTINUING OPERATIONS	48,639	2,500
DECREASE IN FUNDS ATTRIBUTABLE TO DISCONTINUED OPERATION	895	—
DECREASE IN FUNDS	$ 49,534	$ 2,500
OPENING FUNDS		
Bank advances (net of cash)	$ 1,932	$ 17,267
Long-term liabilities (including current portion)	81,167	63,332
Net borrowings—beginning of year	83,099	80,599
CLOSING FUNDS		
Bank advances (net of cash)	26,684	1,932
Long-term liabilities (including current portion)	105,949	81,167
Net borrowings—end of year	$132,633	$ 83,099

Note: Funds are defined as cash, bank advances and long-term liabilities.
For the change in long-term liabilities see note 11.

Notes to consolidated financial statements

for the year ended December 31, 1981

1. Change in accounting policy

Previously it has been the policy of the Company to include unrealized gains and losses arising on the translation of net current assets of foreign subsidiaries, denominated in foreign currencies, in the calculation of net earnings. Such gains and losses are unpredictable and may result in erratic fluctuations in earnings. It is considered that the operating results of the Company would be more meaningfully presented if such translation adjustments were transferred directly to a currency translation account in the consolidated balance sheet of the Company. Formerly, gains and losses on the translation of net long-term assets were deferred in other liabilities. These will, in future, also be transferred directly to the currency translation account.

As a result of this change in accounting policy the balance of retained earnings at December 31, 1980, previously reported as $64,238,000 has been restated to show a retroactive transfer to the currency translation account of $4,375,000 representing the cumulative amount of net gains arising on translation of net current assets, including those of Rio Indal, Inc. Of this amount $1,314,000 is applicable to 1980 and has been eliminated from the earnings of that year. The remaining $3,061,000 is applicable to years prior to 1980 and has been eliminated from retained earnings at December 31, 1979 previously reported as $56,977,000. The amounts relating to net long-term assets which have been deferred in the past and will, in the future, be transferred directly to the currency translation account amounted, at December 31, 1980, to $85,000. This change in accounting policy has had no material effect on 1981 earnings.

2. Acquisitions

During 1981, the Company, through Indal Inc. purchased one aluminum fabricating plant and three aluminum extruding plants from Consolidated Aluminum Corporation of St. Louis, Missouri. The purchase price, paid in cash, was $10.1 million for fixed assets and $35.4 million for working capital.

In April 1981, the Company purchased a 51% interest in Deltaglass S.A. for a total consideration of $749,000.

During 1981, the Company acquired additional equity in the following subsidiaries: Peachtree Doors, Inc. (2.76%); SealRite Windows, Inc. (4.8%); Tempglass, Inc. (30%); and Tempglass Western, Inc. (30%). Minority shareholdings were sold in Kabinart Corporation (5%) and Westwood Windows Limited (30%). The net consideration in respect of these changes in holdings during the year amounted to $5,134,000.

3. Earnings from manufacturing operations

Earnings from manufacturing operations are stated after charging:

(in thousands of dollars)	1981	1980
Depreciation and amortization of fixed assets	$14,717	$12,014
Amortization of goodwill	627	561
Amortization of deferred charges	878	234
Interest on bank advances	3,355	3,019
Interest on long-term liabilities	18,608	6,813

4. Income taxes

Income taxes based on earnings are as follows:

(in thousands of dollars)	1981	1980
Income taxes payable		
Canadian	$ 7,840	$ 8,923
Foreign	(303)	(866)
	$ 7,537	$ 8,057
Deferred income taxes		
Canadian	$ 474	$ 889
Foreign	1,224	1,926
	$ 1,698	$ 2,815
	$ 9,235	$10,872

Of the total amount of deferred income taxes, $1,133,000 (1980-$1,517,000) relates to non-current items.

The Company's effective income tax rate is made up as follows:

(percentages)	1981	1980
Basic Canadian corporate tax rate	45.8	45.8
Increases, primarily due to higher foreign tax rates	2.4	1.7
Tax effect of financing and inventory allowances	(16.0)	(2.9)
Effect of goodwill amortization and appraisal surplus depreciation	2.3	2.1
Investment tax credits	(3.9)	(5.0)
Other	2.4	(1.4)
	33.0	40.3

Deferred income taxes arise from timing differences.

The sources of these differences and the tax effects thereof are as follows:

(in thousands of dollars)	1981	1980
Tax depreciation and amortization in excess of accounting depreciation and amortization	$ 991	$ 1,179
Accounts receivable holdbacks	415	176
Inventories restated on the first-in, first-out method	118	1,088
Other	174	372
	$ 1,698	$ 2,815

5. Rio Indal, Inc.

The business of Rio Indal, Inc., the Company's wholly-owned metal trading subsidiary, is subject to wide fluctuations in volume from day to day and the nature and size of the components of its financial statements, particularly within current assets and current liabilities, can consequently also vary widely from day to day. Consolidation of its financial statements can misrepresent the financial position of the Company and the constituent parts of the earnings statement and accordingly Rio Indal, Inc. is accounted for by the equity method.

Condensed financial statements of Rio Indal, Inc., translated into Canadian dollars, are as follows:

Statements of earnings and retained earnings
for the year ended December 31, 1981

(in thousands of dollars)	1981	1980
Earnings		
Sales from metal trading	$143,772	$211,404
Gross profit/(loss)	(3,323)	593
Expenses		
Administration	1,293	1,007
Financial	666	(691)
	1,959	316
	(5,282)	277
Proceeds of life insurance policy	—	1,001
Earnings before income taxes	(5,282)	1,278
Income taxes	(2,415)	216
Net earnings/(loss)	$ (2,867)	$ 1,062
Retained earnings		
Balance—beginning of year		
As previously reported	$ 6,960	$ 7,190
Transferred to currency translation account	(1,121)	(946)
Balance—as restated	5,839	6,244
Net earnings/(loss)	(2,867)	1,062
Dividend paid	(540)	(1,467)
Balance—end of year	$ 2,432	$ 5,839

Balance sheet
as at December 31, 1981

(in thousands of dollars)	1981	1980
Assets		
Current assets		
Cash and short-term deposits	$ 192	$ 6,036
Accounts receivable	9,145	29,589
Inventories	1,453	1,725
Income tax recoverable	2,477	—
Other accounts receivable and prepaid expenses	125	213
	13,392	37,563
Fixed assets—at cost, less accumulated depreciation	53	72
	$ 13,445	$ 37,635

Balance sheet (continued)

(in thousands of dollars)	1981	1980
Liabilities		
Current liabilities		
Bank advances	$ 833	$ —
Accounts payable	9,079	30,599
Income and other taxes payable	—	91
	9,912	30,690
Currency translation account	801	806
	10,713	31,496
Shareholders' equity		
Capital stock		
Authorized		
300 common shares of the par value of U.S. $1.00 each		
Issued and fully paid		
200 shares	1	1
Contributed surplus	299	299
Retained earnings	2,432	5,839
	2,732	6,139
	$ 13,445	$ 37,635

Statement of changes in financial position
for the year ended December 31, 1981

(in thousands of dollars)	1981	1980
Source of funds		
Earnings before income taxes	$ (5,282)	$ 1,278
Depreciation and amortization	20	206
Total source of funds	(5,262)	1,484
Application of funds		
Working capital (excluding fund items):		
Accounts receivable and prepaid expenses	(20,532)	(36,218)
Inventories	(272)	1,725
Accounts payable, accruals and other taxes	21,520	40,777
	716	6,284
Taxation payments	98	2,647
Dividends	540	1,467
Other	61	(376)
Total application of funds	1,415	10,022
Decrease in funds	$ 6,677	$ 8,538
Opening funds		
Cash	$ (6,036)	$ (14,574)
Closing funds		
Bank advances (net of cash)	$ 641	$ (6,036)

Notes to the financial statements of Rio Indal, Inc.

(i) Foreign currency translation
Assets and liabilities are translated to Canadian dollars at the rate of exchange in effect at the year-end. Income and expenses are translated to Canadian dollars at a rate approximating the average rate of exchange during the year. The exchange adjustments on net assets are taken to currency translation account in the balance sheet.

(ii) Revenue recognition
Substantially all metal is purchased and sold by the company under contracts having fixed prices for future delivery. Substantially all metal sold is shipped directly from vendors to customers based on company release orders. Sales, accounts receivable, cost of sales and accounts payable are recorded simultaneously upon notification of shipments by the vendors or upon transfer of title to the metal in accordance with the specific terms of the purchase and sales contracts.

6. Loss from discontinued operation

Following eleven months of unprofitable operation, the Company closed the Murphysboro, Illinois plant of the Indal Aluminum division of Indal Inc. on December 31, 1981. The plant has since been sold.

The operating results and the provision for loss on disposal have been segregated from the results of continuing operations in the consolidated statement of earnings and were as follows:

(in thousands of dollars)	1981
Sales	$25,832
Operating loss	$ 3,434
Provision for loss on disposal	2,400
	5,834
Income tax recovery	2,734
Loss from discontinued operation	$ 3,100

7. Inventories

(in thousands of dollars)	1981	1980
Raw materials	$ 64,072	$ 51,063
Work in process	22,294	12,036
Finished goods	21,510	17,288
	$107,876	$ 80,387

8. Leases

Assets financed by capital leases, accounted for and depreciated as Company-owned facilities and included in fixed assets at December 31, are as follows:

(in thousands)	1981	1980
Land and buildings	$ 10,785	$ 11,413
Machinery and equipment	6,262	5,294
	17,047	16,707
Less: accumulated depreciation	4,646	3,397
	$ 12,401	$ 13,310

Aggregate future minimum lease payments at December 31, 1981 are as follows:

(in thousands of dollars)	Capital leases	Operating leases
1982	$ 1,758	$ 6,743
1983	1,766	4,616
1984	1,679	3,584
1985	1,612	2,605
1986	1,521	2,198
Thereafter	15,470	11,545
Total minimum lease payments	23,806	31,291
Less: amount representing interest	10,465	—
	$13,341	$31,291

9. Goodwill

	Resulting from acquisitions or agreements entered into		
(in thousands of dollars)	Prior to January 1, 1974	After January 1, 1974	Total
Balance—beginning of year	$13,751	$20,439	$34,190
Additions	—	2,473	2,473
Amortization	—	(627)	(627)
Exchange rate adjustment	—	(88)	(88)
Balance—end of year	$13,751	$22,197	$35,948

10. Deferred charges, less amortization

(in thousands of dollars)	1981	1980
Balance—beginning of year	$ 1,379	$ 153
Additions	1,757	1,278
Amortization	(878)	(234)
Exchange rate adjustment	(2)	182
Balance—end of year	$ 2,256	$ 1,379

11. Long-term liabilities

(in thousands of dollars)	1981	1980
8½% Sinking Fund Debentures, Series A, secured by a pledge of certain assets of the Company and shares of certain subsidiaries, due on March 15, 1993 with annual repayments by way of sinking fund of $139,000 in 1983, $300,000 in 1984, $400,000 in 1985 to 1988 and $550,000 in 1989 to 1992	$ 6,139	$ 6,695
Seven year unsecured bank facility of U.S. $39,324,000 with interest payable at the Company's option of (a) London Interbank Offered Rate (LIBOR) plus ¾% to January 1983, and LIBOR plus 1¼% to term; or (b) U.S. base rate plus ¼% to January 1983, and U.S. base rate plus ¾% to term. The facility has no principal repayment until 1984 and will be repayable in increasing instalments over the remaining 5 years	46,796	—
Mortgages maturing:		
within 5 years, at from 6% to 11¾%	5,216	2,700
within 5-10 years, at 8%	3,523	4,698
after 10 years, at from 2% to 12½%	4,516	7,139
7% Notes payable, secured by a pledge of shares of a U.S. subsidiary, repayable in two equal annual instalments of U.S. $2,942,500 commencing January 2, 1982	7,003	10,549
Prime plus ¼% unsecured revolving loan credit facility of U.S. $35,000,000. The Company has the option to extend the facility annually on December 31 or to convert the amount in use to a five-year term loan at prime plus ¾%, repayable in 20 equal quarterly instalments	3,570	21,510
The loan agreement contains specific stipulations regarding consolidated long-term borrowings and the working capital ratio of U.S. subsidiaries		
10% Industrial Revenue Development Bonds repayable in 1983	7,140	6,037
Other	8,705	8,133
Capital leases:		
Manufacturing plant leases payable in varying monthly or annual instalments at interest rates of between 6¾% and 9%. At the end of the lease terms the Company has the option to purchase the properties on payment of nominal sums	13,341	13,706
	105,949	81,167
Less: portion due within one year	6,635	5,668
	$ 99,314	$ 75,499

The change during the year in long-term liabilities, including the current portion, was as follows:

(in thousands of dollars)	1981	1980
Balance—beginning of year	$ 81,167	$ 63,332
New borrowings	51,047	24,661
Repayments	(25,992)	(6,391)
Other	(273)	(435)
Balance—end of year	$105,949	$ 81,167

Repayments over the next five years are as follows:

(in thousands of dollars)	
1982	$ 6,635
1983	10,173
1984	12,656
1985	12,052
1986	12,074

12. Capital stock

(a) Authorized share capital:
The authorized share capital of the Company consists of the following:
An unlimited number of preferred shares of no par value, issuable in series.
An unlimited number of common shares of no par value.

(b) Preferred shares:
There are issued and outstanding 1,000,000 cumulative floating rate preferred shares Series A with a stated value of $25 each. These preferred shares, which do not have general voting rights, carry a cumulative floating rate dividend equal to half the average Canadian bank prime rate plus 1½%. The shares are redeemable at their stated value. The shares are retractable at their stated value, at the option of the holders, in 1988. In the event of a change in the income tax treatment of dividends, either the dividend rate will be increased or the shares will be redeemed by the Company. The holders have agreed to accept term promissory notes of the Company in the event of a redemption pursuant to such a tax change.

(c) Change in issued capital stock:

(in thousands)	shares	value
Common shares		
Balance—beginning of year	9,616	$66,071
Exercise of stock options	27	212
Balance—end of year	9,643	$66,283

The weighted average number of shares outstanding in 1981 was 9,632,000 (1980—9,608,000).

(d) Stock options:
At December 31, 1981 there were stock options outstanding in respect of 156,000 common shares (including 70,000 to officers some of whom are also directors of the Company) exercisable at between $4.45 and $14.50 per share. These options expire at various dates between 1982 and 1988.

13. Commitments and contingencies

(a) Minority shareholders in eight subsidiaries have the option to require the Company to purchase their shareholdings at prices based on the earnings of these companies. In respect of three subsidiaries these options were not yet exercisable at December 31, 1981 and hence the total potential cost cannot be determined. For those subsidiaries in respect of which options were already exercisable, the cost based on earnings to December 31, 1981 would be approximately $5,502,000.

(b) Indalex Limited, a wholly-owned subsidiary of the Company, has received federal and provincial income tax assessments totalling $3.1 million including interest and penalties in respect of the calendar years 1971-1976. Certain of these assessments allege that additional income was earned in those years and the remainder allege that Indalex Limited failed to withhold tax on amounts paid or credited to a non-resident corporation of Canada. These assessments are being resisted and no provision has been made in the financial statements of the Company. Indalex Limited expects to receive additional provincial income tax assessments amounting to approximately $130,000 in respect of the calendar years 1975 and 1976.

(c) A subsidiary of the Company is the defendant in a civil law suit in the United States filed by a former distributor, in which breach of certain anti-trust laws is alleged and damages of approximately U.S. $6.0 million are claimed. The Company believes the suit has no merit and accordingly no provision has been made in the financial statements of the Company.

(d) Pension plans:
Various retirement plans exist within the Group. Contributions to plans for salaried and hourly employees charged to income were $3,493,000 including payments of $351,000 for past service costs as a result of the Company having voluntarily upgraded pension benefits. On the basis of valuations by the Company's actuaries in 1981 the remaining liability at December 31, 1981 with respect to unfunded past service benefits amounted to $1,827,000 which is being funded and charged to earnings at varying rates over periods ranging from two to twenty years.

(e) Capital commitments:
At December 31, 1981, capital commitments in respect of fixed asset additions amounted to approximately $6,400,000.

(f) Related party transactions:
There were no material transactions during the year between the Company and related parties.

14. Segmented information

Based on the products and operations of the Company, the classes of business as determined by the Directors are as follows:

(a) Residential construction products: supplied for use in new residential construction.
(b) Non-residential construction products: supplied for ultimate use in industrial, commercial and institutional construction.
(c) Home improvement and consumer products: supplied to mass merchandisers, lumber yards and do-it-yourself outlets for use in home improvement.
(d) Industrial components: supplied for incorporation as a part or sub-assembly in industrial and defense products, including automotive and design engineered products.
(e) Other manufacturing: products that do not fall into any other industry segment.
(f) Metal trading: the buying and selling of primary, secondary and scrap aluminum.

Segmented information in respect of manufacturing operations is set out in Appendix 1 and condensed financial statements of Rio Indal, Inc., the Company's metal trading subsidiary are set out in note 5.

15. Comparative figures

Comparative figures have been restated where appropriate to conform to the 1981 presentation.

Segmented information

(in thousands of dollars)

Industry segments

	Residential construction products 1981	Residential construction products 1980	Non-residential construction products 1981	Non-residential construction products 1980
Sales to customers	$191,703	$158,169	$148,314	$ 92,161
Inter-segment sales	13,753	8,098	8,080	5,234
	$205,456	$166,267	$156,394	$ 97,395
Segment operating profit	$ 13,342	$ 10,257	$ 21,521	$ 13,912
General corporate expenses				
Interest expense				
Earnings from continuing operations before income taxes				
Income taxes				
Loss from discontinued operation				
Earnings from manufacturing operations				
Earnings/(loss) from metal trading accounted for by the equity method				
Earnings before minority shareholders' interests				
Identifiable assets	$136,242	$134,908	$ 86,955	$ 56,527
Investment in metal trading subsidiary accounted for by the equity method				
Net assets of discontinued operation				
Corporate assets				
Capital expenditure	$ 7,614	$ 8,850	$ 10,096	$ 2,951
Depreciation and amortization of fixed assets	$ 4,807	$ 4,326	$ 2,965	$ 2,512

Geographic segments

Sales to customers
Transfers between geographic segments
Segment operating profit
General corporate expenses
Interest expense
Earnings from continuing operations before income taxes
Income taxes
Earnings from manufacturing operations
Loss from discontinued operation
Earnings from manufacturing operations
Earnings/(loss) from metal trading accounted for by the equity method
Earnings before minority shareholders' interests
Identifiable assets

Canadian operations include export sales of $49,913,000 in 1981 (1980—$45,211,000) primarily to customers in the United States.

Home improvement and consumer products 1981	1980	Industrial components 1981	1980	Other manufacturing 1981	1980	Consolidation eliminations 1981	1980	Consolidated 1981	1980
$ 93,320	$ 78,421	$131,408	$ 97,883	$ 18,804	$ 15,943	$ —	$ —	$583,549	$442,577
7,843	5,557	3,187	539	1,031	19,671	(33,894)	(39,099)	—	—
$101,163	$ 83,978	$134,595	$ 98,422	$ 19,835	$ 35,614	$ (33,894)	$ (39,099)	$583,549	$442,577
$ 7,149	$ 4,292	$ 12,400	$ 9,895	$ 2,119	$ 2,562	$ (3,101)	$ (1,294)	$ 53,430	$ 39,624
								(4,930)	(2,810)
								(20,531)	(9,832)
								27,969	26,982
								9,235	10,872
								18,734	16,110
								(3,100)	—
								15,634	16,110
								(2,867)	1,062
								$ 12,767	$ 17,172
$ 59,182	$ 57,464	$ 78,781	$ 60,387	$ 13,692	$ 15,732	$ (31,952)	$ (39,570)	$342,900	$285,448
								3,279	7,260
								525	—
								14,960	11,115
								$361,664	$303,823
$ 3,656	$ 5,425	$ 8,326	$ 3,805	$ 2,947	$ 685				
$ 2,367	$ 1,669	$ 3,174	$ 2,590	$ 696	$ 700				

Canada 1981	1980	United States 1981	1980	Consolidation eliminations 1981	1980	Consolidated 1981	1980
$268,316	$226,993	$315,233	$215,584	$ —	$ —	$583,549	$442,577
2,096	10,091	356	659	(2,452)	(10,750)	—	—
$270,412	$237,084	$315,589	$216,243	$ (2,452)	$ (10,750)	$583,549	$442,577
$ 32,475	$ 26,039	$ 20,955	$ 13,585	$ —	$ —	$ 53,430	$ 39,624
						(4,930)	(2,810)
						(20,531)	(9,832)
						27,969	26,982
						9,235	10,872
						18,734	16,110
						(3,100)	—
						15,634	16,110
						(2,867)	1,062
						$ 12,767	$ 17,172
$146,267	$131,249	$196,633	$154,199			$342,900	$285,448

Location of plants and warehouses/sales offices

Summarized quarterly financial information (unaudited)

(in thousands of dollars)

1981	Three months ended March 31	June 30	September 30	December 31	Year ended December 31
Sales(1)	126,993	155,707	159,961	140,888	583,549
Gross profit(1)	30,625	39,060	39,862	35,377	144,924
Gross profit percentage(1)	24.1%	25.1%	24.9%	25.1%	24.8%
Net earnings(2)	2,320	4,939	2,232	3,050	12,541
Earnings per common share(2)					
Basic	$0.19	$0.45	$0.16	$0.24	$1.04
Fully diluted	$0.19	$0.45	$0.16	$0.24	$1.04
Market price of common shares(3)					
High	$16⅞	$20	$17½	$15¼	$20
Low	$14½	$16½	$11	$12¾	$11
Number of shares traded(4)	146,225	804,872	260,693	188,648	1,400,438

1980	Three months ended March 31	June 30	September 30	December 31	Year ended December 31
Sales	101,133	99,379	113,638	128,427	442,577
Gross profit	23,727	24,035	27,950	33,920	109,632
Gross profit percentage	23.5%	24.2%	24.6%	26.4%	24.8%
Net earnings(2)	2,850	2,231	3,592	7,155	15,828
Earnings per common share(2)					
Basic	$0.24	$0.17	$0.31	$0.70	$1.42
Fully diluted	$0.24	$0.17	$0.31	$0.68	$1.40
Market price of common shares(3)					
High	$13⅜	$13¾	$16⅞	$18⅛	$18⅛
Low	$12	$11½	$13½	$15	$11½
Number of shares traded(4)	365,125	339,988	686,612	252,826	1,644,551

(1) Sales, gross profits and gross profit percentages for the first three quarters of 1981 have been restated to exclude figures for the discontinued operation.

(2) The earnings and earnings per share figures for the first three quarters of 1981 and all the comparative earnings and earnings per share figures for 1980 have been restated to reflect the change in accounting policy set out in note 1 of the notes to the consolidated financial statements.

(3) High/low market prices reflect prices quoted on The Toronto Stock Exchange.

(4) The number of shares traded reflects the combined volume of shares traded on The Toronto and Montreal Stock Exchanges.

Ten year financial summary

(in millions of dollars)

Earnings	Sales—manufacturing operations Gross profit—manufacturing operations Earnings before income taxes—manufacturing operations[1] Sales from metal trading, accounted for by the equity method[2] Earnings from metal trading[1] Net earnings[1] Preferred dividends paid Common dividends paid
Performance statistics	Gross profit percentage Net earnings as a percentage of sales[1] Sales/assets ratio Return on total assets (based on net earnings)[1] Return on common shareholders' equity (based on net earnings after preferred dividends and on average opening and closing equity)[1]
Common share data	Earnings per common share[1,4] Earnings per share growth Dividends paid per common share[4] Book value per common share[4] Average number of common shares outstanding (in millions)[4]
Assets	Working capital[1] Current ratio Fixed assets Total assets[1]
Shareholders' equity	Preferred shareholders' equity Common shareholders' equity Number of common shares outstanding at year end (in millions)
Cash flow	Funds from operations Purchase of fixed assets Depreciation of fixed assets

(1) The figures from 1977 to 1980 have been restated to reflect the change in accounting policy described in note 1 to the financial statements.

(2) Sales from metal trading exclude sales to other group companies.

(3) The 1976 figures have been restated to reflect an inventory repurchase commitment of $9.0 million originally recorded by way of a note.

(4) Figures prior to 1977 have been adjusted to reflect a two for one stock split in that year.

(5) The 1981 figure excludes the purchase of the assets of the new extrusion operations acquired in that year.

1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
584	443	450	363	212	159	109	112	90	71
145	110	116	93	55	43	32	31	22	16
28.0	27.0	39.3	28.0	16.5	15.7	12.8	11.9	6.0	4.9
119	211	324	161	226	236	109	76	36	—
(2.9)	1.1	2.5	(0.2)	0.8	1.4	0.8	1.2	0.8	—
12.5	15.8	23.6	13.8	9.3	9.5	7.5	7.0	3.9	2.1
2.5	2.2	1.8	1.1	0.1	0.1	0.1	0.1	0.1	0.1
7.7	7.7	6.7	3.6	3.1	2.8	2.2	1.6	0.7	0.4
24.8%	24.8%	25.8%	25.5%	25.9%	27.1%	29.1%	27.6%	24.3%	22.9%
2.2%	3.6%	5.2%	3.8%	4.4%	6.0%	6.8%	6.3%	4.3%	3.0%
1.6	1.5	1.6	1.4	1.4	1.3	1.2	1.4	1.3	1.6
3.5%	5.2%	8.1%	5.3%	6.3%	7.7%[3]	7.9%	8.9%	5.6%	4.7%
7.9%	11.1%	19.4%	15.7%	17.3%	20.5%	20.6%	29.0%	22.7%	19.7%
$1.04	$1.42	$2.27	$1.91	$1.48	$1.55	$1.54	$1.75	$1.21	$0.73
(26.8)%	(37.4)%	18.8%	29.1%	(4.5)%	0.6%	(12.0)%	44.6%	65.8%	30.4%
80¢	80¢	70¢	55¾¢	49½¢	45⅞¢	45¢	38¾¢	21¼¢	15¢
$13.32	$13.10	$12.49	$10.94	$8.91	$8.09	$7.03	$6.82	$5.81	$4.79
9.6	9.6	9.6	6.7	6.2	6.1	4.8	4.0	3.1	2.8
116	103	92	98	33	32	24	13	6	5
2.4:1	3.0:1	2.5:1	3.1:1	1.6:1	2.1:1[3]	1.9:1	1.5:1	1.2:1	1.3:1
119	105	95	77	46	39	31	25	20	11
362	304	290	259	148	122[3]	94	79	69	45
25	25	25	25	1	1	1	1	1	1
128	126	120	105	58	49	42	29	18	15
9.6	9.6	9.6	9.6	6.5	3.0	3.0	2.2	1.6	1.6
44	41	51	38	24	21	18	16	9	7
22[5]	22	33	20	11	9	10	8	8	4
15	12	11	8	6	4	3	3	2	2

Operating subsidiaries and divisions

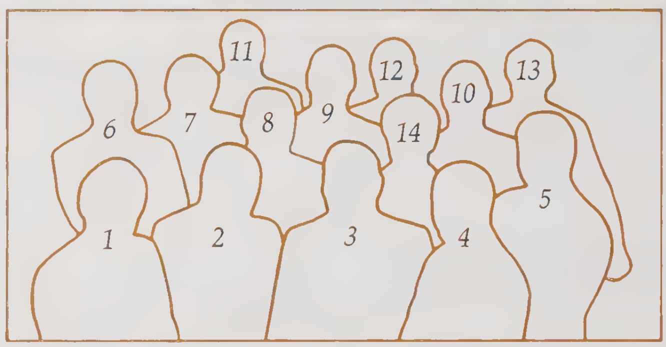
Canada

	% of equity attributable to the Company	
AIRLITE GLASS INSULATING Division, Toronto J. Shapiro, President	100	Insulating glass units
ALUMIPRIME Division, Toronto H. Lazar, President	100	Aluminum prime windows and patio doors
COMMERCIAL ALUMINUM Division, Toronto B. R. Leaman, President	100	Architectural aluminum store fronts, entrances, window systems and curtainwall
COMMERCIAL ALUMINUM (WESTERN) Division, Calgary, Edmonton and Saskatoon L. E. Krause, General Manager	100	Architectural aluminum store fronts, entrances, window systems and curtainwall
C. R. METAL PRODUCTS Division, Toronto G. Berdan, President	100	Cold rollformed metal products
DAF INDAL LTD., Mississauga and Washington M. R. Maynard, Chairman G. R. Rutledge, President and Chief Executive Officer	100	Design engineering, structural products, shipboard helicopter hangars, helicopter hauldown and rapid securing systems and wind turbines
DOMINION BRONZE LIMITED, Winnipeg, Calgary and Toronto R. H. R. Dryburgh, President	100	Curtainwall, commercial and institutional windows and specialty architectural systems
EASTLAND METALS Division, Mississauga G. R. Grant, Vice-President and General Manager	100	Cold rollformed steel and aluminum products including industrial and agricultural siding and roofing
FABRICATED STEEL PRODUCTS (WINDSOR) LIMITED, Windsor J. R. Davidson, President	100	Automotive parts and steel containers
FASCO PRODUCTS Division, Toronto J. E. Faveri, President	100	Storm and patio door hardware and aluminum home improvement products
HIALCO MFG. Division, Port Coquitlam, Kelowna and Nanaimo P. Houweling, President	100	Aluminum prime windows and patio doors
INDAL PRODUCTS Group J. W. Rooney, Executive Vice-President	100	
LITE METALS Division, Mississauga R. A. Englhardt, Vice-President and General Manager		Aluminum ladders
MARITIMES Division, Amherst R. W. Janes, Vice-President and General Manager		Aluminum storm doors and windows
REBMEC Division, Toronto J. W. Rooney, Executive Vice-President		Aluminum storm doors, windows and other home improvement products, recreational vehicle components and auto sun roofs
INDALEX Division, Toronto, Montreal, Calgary and Port Coquitlam W. J. MacDonald, President	100	Aluminum extrusions, surface finishing and fabricated products
INDALLOY Division, Toronto L. Kozierok, President	100	Aluminum recycling and billet casting
McKNIGHT WINDOW INDUSTRIES Division, Toronto D. R. Williams, President	100	Wood and vinyl windows and doors
PEACHTREE DOORS CANADA LTD., Toronto S. G. Abray, President	70	Residential insulated steel entry door systems
RAM PARTITIONS Division, Toronto A. W. Stokes, President	100	Office panel systems, furniture components and acoustic office screens
TEMPGLASS LIMITED, Toronto I. R. Moore, President	85	Glass tempering and processing
WESTERN ALUMINUM PRODUCTS Group C. M. Kline, President	100	
CALGARY Division, Calgary, Medicine Hat, Red Deer, Regina and Saskatoon A. Hawrelak, Vice-President		Aluminum, vinyl and wood prime windows, doors, insulating glass units and recreation vehicle components
EDMONTON Division, Edmonton, Fort McMurray and Prince George G. T. Newsham, Vice-President		Aluminum, vinyl and wood prime windows and doors
WESTLAND METALS Division, Richmond, Calgary, Edmonton, Regina and Saskatoon B. G. Harrison, President	100	Cold rollformed steel and aluminum products including industrial and agricultural siding and roofing, rainwater goods, grain bins and pre-engineered buildings
WESTWOOD WINDOWS LTD., Airdrie, Alberta D. S. Cheetham, Vice-President and General Manager	70	Wood windows and patio doors

United States	% of equity attributable to the Company	
ALAMO ALUMINUM CORP., Santa Clara, CA A. Clark, President	100	Aluminum prime windows and patio doors
BETTER-BILT ALUMINUM PRODUCTS CO., Smyrna, TN and Prescott, AZ L. M. Moffatt, President	99	Aluminum patio and storm doors, aluminum prime and storm windows and aluminum screen doors
DELTAGLASS INC., Toledo, OH I. D. Fintel, General Manager	51	Laminated glass
INDAL ALUMINUM Division of Indal Inc., City of Industry and Torrance, CA J. B. Teets, President	100	Aluminum extrusions and fabricated products, weatherstripping, thresholds, aluminum recycling and billet casting
INDAL ALUMINUM GULFPORT Division of Indal Inc., Gulfport, MS D. DeLano, President	100	Aluminum extrusions, aluminum recycling and billet casting
KABINART CORPORATION, Nashville, TN G. Boudoucies, President	95	Wood cabinets for kitchens and bathrooms
MIDEAST ALUMINUM INDUSTRIES Division of Indal Inc., Dayton, NJ and Mountaintop, PA R. B. Sowers, President	100	Aluminum extrusions, surface finishing and fabricated products
NORTH AMERICAN DIE CASTING CORP., Fredericksburg, VA S. H. Ruderfer, President	100	Zinc die cast products
PEACHTREE DOORS, INC., Norcross, Gainesville and Atlanta, GA, and St. Joseph, MO J. R. Hewell, Jr., President	82.6	Residential insulated steel entry door systems, patio doors and windows
REPLACEMENT PRODUCTS INDUSTRIES CORPORATION Philadelphia, PA R. Matyasik, President	100	Aluminum replacement windows
RIO INDAL, INC., Cleveland, OH E. J. Henderson, President	100	Metal trading
SEALRITE WINDOWS, INC., Lincoln, NE D. L. Farnsworth, Vice-President and General Manager	100	Wood windows and patio doors
TEMPGLASS, INC., Toledo, OH I. D. Fintel, Vice-Chairman and Chief Executive Officer G. L. Christman, President	100	Glass tempering and processing
TEMPGLASS EASTERN, INC., Atlanta, GA J. G. Mulvanerty, President	95	Glass tempering and processing
TEMPGLASS SOUTHERN, INC., Grand Prairie, TX W. C. Metcalfe, President	92.5	Glass tempering and processing
TEMPGLASS WESTERN, INC., Fremont, CA R. B. Cobie, President	100	Glass tempering and processing
TENNESSEE BUILDING PRODUCTS, INC., Nashville, Knoxville and Chattanooga, TN and TITAN BUILDING PRODUCTS Division, Charlotte, NC J. Fishel, President	100	Aluminum, wood and other building products
TENNESSEE GLASS COMPANY, Nashville, TN J. L. Soyars, Vice-President and General Manager	100	Retail glass sales and commercial glazing
TUBELITE Division of Indal Inc., Reed City, MI, Atlanta, GA, Dallas, TX and Denver, CO A. F. Styring, President	100	Architectural and commercial aluminum extrusions and fabrication, door closers, revolving doors and aluminum doors and windows

Switzerland		
DELTAGLASS S.A., Fribourg	51	Laminated glass

The Board of Directors, photographed during a visit to the new wood processing plant of Peachtree Doors, Inc. in Gainesville, Georgia, in November 1981.



1 D. G. Coughlan
2 W. E. Stracey
3 D. J. McDonald
4 J. R. Hewell
5 G. A. MacKenzie
6 D. Edwards
7 A. H. Ross
8 G. H. Montague
9 J. D. Riley
10 L. P. Larkin
11 P. G. Selley
12 J. R. LeMesurier
13 S. B. Scott

14 J. D. Hillery, Secretary

Corporate directory

Directors

- ■ **DERMOT G. COUGHLAN**
President and Chief Executive Officer, Indal Limited, Toronto
- ■ **DEREK EDWARDS**
Chairman and Chief Executive, R.T.Z. Industries Limited, London, England, an industrial holding company
- **MICHAEL M. FREEMAN**
Finance Director, R.T.Z. Industries Limited, London, England
- **JAMES R. HEWELL, JR.**
President, Peachtree Doors, Inc., Atlanta, a residential door and window manufacturing company
- ■ **LEO P. LARKIN, JR.**
Partner, Rogers & Wells, New York, Attorneys
- ■ **J. ROSS LeMESURIER**
Vice-Chairman, Wood Gundy Limited, Toronto, an investment dealer
- **G. ALLAN MacKENZIE**
Executive Vice-President, General Distributors of Canada Ltd., Winnipeg, a consumer products retailing and consumer and industrial electronic products distributing company
- ■ ■ **DONALD J. McDONALD**
Company Director, Toronto
- **GEORGE H. MONTAGUE**
Vice-President, TALcorp Associates Limited, Toronto, an investment company
- ■ **J. DEREK RILEY**
Company Director, Winnipeg
- **ALASTAIR H. ROSS**
President, Allaro Resources Ltd., Calgary, an oil and gas exploration company
- **SIMON B. SCOTT**
Partner, Borden & Elliot, Toronto, Barristers and Solicitors
- **PETER G. SELLEY**
Senior Vice-President, Finance, Indal Limited, Toronto
- ■ **WALTER E. STRACEY**
Chairman, Indal Limited, Toronto

■ Member of the Executive Committee
■ Member of the Audit Committee

Officers

WALTER E. STRACEY
Chairman

DERMOT G. COUGHLAN
President and Chief Executive Officer

J. NORMAN McKNIGHT
Senior Vice-President

PETER G. SELLEY
Senior Vice-President, Finance

JON N. LeHEUP
Group Vice-President

THOMAS A. ROSKO
Group Vice-President

DOWNIE BROWN
Vice-President, Corporate Development

JOHN D. HILLERY
Vice-President, Corporate Counsel and Secretary

VINCENT J. HOWCROFT
Vice-President, Administration

KERIN H. S. LLOYD
Vice-President, Manufacturing and Marketing Services

A. M. GORDON TURNBULL
Vice-President, Treasurer

GEORGE A. GODWIN
Assistant Corporate Counsel and Assistant Secretary

W. LYLE MUIR
Administrator, Risk Management and Employee Benefits

PETER SUURTAMM
Manager, Information Systems

PETER E. WYATT
Controller

Corporate office

4000 Weston Road, Weston, Ontario M9L 2W8
Telephone (416) 743-1400
Telecopier (416) 746-1311
Telex number 065-27290

Auditors

COOPERS & LYBRAND
Chartered Accountants

Principal bankers

THE TORONTO-DOMINION BANK
CANADIAN IMPERIAL BANK OF COMMERCE

General counsel

BORDEN & ELLIOT, Toronto
ROGERS & WELLS, New York

Transfer agents and registrars

PREFERRED SHARES
INDAL LIMITED

COMMON SHARES
THE ROYAL TRUST COMPANY, Toronto, Montreal, Winnipeg, Calgary, Regina and Vancouver

Annual meeting

The annual meeting of the common shareholders of Indal Limited will be held on May 6, 1982 at 4:00 p.m. in the Territories Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario.

Exchange listings

The common shares of Indal Limited (ticker symbol ICL) are listed on The Toronto Stock Exchange and the Montreal Stock Exchange.

Annual report

Copies of the Indal Limited 1981 Annual Report or the booklet "This is Indal" may be obtained by contacting the Secretary at the corporate office.

Glossary

Manufacturing and production terms

Billet casting

Pouring molten aluminum into long, vertical, cylindrical moulds which casts the metal into log-shaped sections. They are then sawn into billets of varying lengths for extruding (see below).

Cold rollforming

Passing coiled sheets of steel or aluminum through a series of roller dies that form the metal into various shapes. Cold rollformed sections can be produced in any number of shapes, sizes and thicknesses for use in construction products and general manufacturing.

Die

A forming tool of hard material, usually steel, which matches within very close tolerances either two or three dimensions of a finished product. For example, an extrusion die has the form of the two-dimensional extruded section; a pressure-casting die has the complete form of a three-dimensional product.

Extruding or extrusion of aluminum

Heated and softened aluminum billet is placed horizontally into a large hydraulic press and forced under great pressure by a ram through a steel die. The aluminum takes on the configuration of the die as it emerges from the press. Lengths of aluminum extrusions can be produced in many shapes.

Glass laminating

A method of making safety glass by sandwiching and bonding an interlayer of clear, flexible material with two outer layers of plain or tempered glass.

Glass tempering

Passing sheets of glass through a high-temperature furnace (as illustrated on the front cover of the Annual Report) followed by rapid air cooling. This not only strengthens the glass but changes its molecular structure. When broken it is reduced into a myriad of tiny, crystal-like and relatively harmless fragments instead of the long, dangerous slivers or shards of untempered broken glass. It is consequently ideally suited for applications where safety glass is required.

Metal stamping

Placing metal blanks in powerful punch presses containing dies. The metal, punched out under tremendous pressure, takes on the shape of the die and is referred to as a stamping.

Recycling of aluminum / remelt

Sorting aluminum scrap and casting it into logs (see Billet casting).

Wood profiling

Machine processing of lengths of wood to form shaped mouldings for use in products such as window frames and door jambs.

Zinc diecasting

Zinc is melted in crucibles and then forced under pressure into the cavities of moulds or dies that shape the metal to their pattern. Hardware such as door handles and window locks are typical products made in this manner.

Product and market terms

Architectural products or systems

Refers generally to the fabrication of large windows and entrance systems for commercial and industrial buildings.

Cladding

Steel and aluminum sheet produced in a variety of profiles by cold rollforming for use as roofing and siding on agricultural, commercial and industrial buildings.

Curtainwall

Windows, panels and frames assembled and affixed to the outer walls of multi-storey buildings.

Design engineering

Aluminum products that are designed and engineered for custom applications.

Glazing

Installing glass in window or door frames.

Helicopter hauldown systems

High-technology product systems engineered by DAF Indal Ltd. to link a hovering helicopter securely to the deck of a naval vessel shortly before touchdown, and, in the U.S. Navy application, to manoeuvre it along a track into the vessel's hangar. These systems are invaluable operating aids in rough weather.

Insulating glass units

Two or three sheets of glass are separated by metal spacers and thoroughly sealed, resulting in a much more energy-efficient product for use in windows and doors.

Replacement windows

Windows destined for installation in existing homes or buildings as a means of upgrading them with superior insulating characteristics and lower maintenance requirements.

Steel entry doors

Residential entry doors manufactured from stamped steel panels on a wood frame with a centre core of insulating material.

Thresholds

Strips of aluminum at the base of entry door frames used to exclude drafts.

Weatherstripping

Plastic or metal strip used to reduce air infiltration around door and window frames.

Wind turbine

An electricity-generating device using wind power as a renewable energy source.

Printed in Canada

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